

FAX**DATE:** May 15, 2007**TO:** Mr. Jeff Cline**COMPANY:** Kentucky Public Service Commission**FAX:** 502-564-3460**PHONE:** 502-564-3940**FROM:** Sarah Welles on behalf of John Finnigan**FAX:** 513-287-3810**PHONE:** 513-287-2677**NO. OF PAGES:** 6**COMMENTS:****RECEIVED**

MAY 15 2007

PUBLIC SERVICE
COMMISSION

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John J. Finnigan, Jr.
Associate General Counsel

VIA FAX AND OVERNIGHT MAIL

May 15, 2007

Mr. Jeff Cline
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

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MAY 15 2007

PUBLIC SERVICE
COMMISSION

Re: In the Matter of an Adjustment of Gas Rates of The Union Light, Heat and Power Company, Case No. 2001-00092; and

In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

Dear Ms. Speer:

Pursuant to the Commission's January 31, 2002 Order in Case No. 2001-00092 and the Commission's November 29, 2005 Order in Case No. 2005-00228, Duke Energy Kentucky, Inc. is required to file quarterly financial statements and a report on the Company's capital structure. I have enclosed Duke Energy Kentucky, Inc.'s supplemental financial statement for the quarter ending March 31, 2007 and a capital structure report dated March 31, 2007. Please file-stamp the extra copy and return to me in the overnight envelope provided.

If you have any questions regarding the financial statements, please contact Mr. Don Storck, Director, Rate Services at (513) 419-6953.

Very truly yours,

John J. Finnigan, Jr.
Associate General Counsel

Enclosure
JJF/sew

cc: Mr. Don Storck

Duke Energy Kentucky

Quarterly Supplemental Financial Statements
Balance Sheet - Page 1
As of March 31, 2007
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,100,150,998	300,925,645	11,300,575	1,412,377,216
Construction Work in Progress	22,984,144	4,565,075		27,549,219
Less Accum. Depreciation	(533,926,780)	(90,042,645)	(7,027,933)	(630,997,358)
Net Utility Plant	589,208,360	215,448,075	4,272,642	808,929,077
Nonutility Property	0	0	13,971,140	13,971,140
Other Investments	0	0	1,500	1,500
Total Other Property & Investments	0	0	13,972,640	13,972,640
Cash	7,501,704	2,569,364	263,850	10,334,918
Working Funds	1,815	622	64	2,501
Customer Accounts Receivable	1,170,916	594,413	0	1,765,329
Other Accounts Receivable	6,696,467	2,293,567	291,363	9,281,397
Less Provision for Uncollectibles	(214,600)	(80,351)	0	(294,951)
Notes Receivable from Assoc. Co.	13,263,983	4,542,969	466,522	18,273,474
Accounts Receivable from Assoc. Co.	561,010	192,148	19,732	772,890
Fuel Stock	9,339,575	712,637	1,323,468	11,375,680
Gas Stored Underground Inventory	0	2,690,187	0	2,690,187
Plant Materials & Operating Supplies	8,265,924	167,596	0	8,433,520
Other Materials & Supplies	(264,231)	(5,358)	0	(269,589)
Stores Expense Undistributed	753,044	15,268	0	768,312
Prepayments	3,998,484	1,892,903	0	5,891,387
Emission Allowances	12,230,650	0	0	12,230,650
Total Current & Accrued Assets	63,304,741	15,585,965	2,364,999	81,255,705
Unamortized Debt Expense	2,850,569	976,331	100,260	3,927,160
Other Regulatory Assets	2,609,784	5,580,710	0	8,190,494
Preliminary Survey & Investigation	593,613	203,315	20,879	817,807
Clearing Accounts	246,214	178,110	8,412	432,736
Temporary Facilities	(205,381)	0	0	(205,381)
Miscellaneous Deferred Debits	16,126,610	5,517,901	567,206	22,211,717
Unamortized Loss on Reacquired Debt	2,834,369	970,783	99,691	3,904,843
Accumulated Deferred Income Taxes	3,299,932	3,455,048	2,313,286	9,068,266
Unrecovered Purchased Gas Costs	0	944,548	0	944,548
Total Deferred Debits	28,355,710	17,826,746	3,109,734	49,292,190
TOTAL ASSETS AND OTHER DEBITS	680,868,811	248,860,786	23,720,015	953,449,612

Duke Energy Kentucky

Quarterly Supplemental Financial Statements
Balance Sheet - Page 2
As of March 31, 2007
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Proprietary Capital</u>				
Common Stock Issued	6,373,047	2,182,795	224,153	8,779,995
Premium on Capital Stock	13,674,437	4,683,550	480,958	18,838,945
Other Paid-in Capital Stock	173,015,930	(19,461,756)	(8,048,986)	145,505,188
Retained Earnings	161,381,016	99,930,047	(71,852,919)	189,458,144
Accumulated Other Comprehensive Income	(337,683)	(115,658)	(11,877)	(465,218)
Total Proprietary Capital	354,106,747	87,218,978	(79,208,671)	362,117,054
<u>Liabilities</u>				
Bonds	197,230,679	67,552,309	6,937,012	271,720,000
Unamortized Premium on Long-Term Debt				
Less Unamortized Discount on Long-Term Debt	(511,365)	(175,145)	(17,985)	(704,495)
Total Long-Term Debt	196,719,314	67,377,164	6,919,027	271,015,505
Obligations Under Capital Leases - Noncurrent	8,682,825	2,947,776	0	11,630,601
Asset Retirement Obligation	1,592,544	6,793,510	0	8,386,054
Accum. Provision for Injuries & Damages	24,898	0	0	24,898
Accum. Misc. Operating Provisions	9,468,043	6,849,134	323,496	16,640,673
Total Other Noncurrent Liabilities	19,768,310	16,590,420	323,496	36,682,226
Accounts Payable	12,567,407	4,304,388	442,022	17,313,817
Notes Payable to Assoc. Co.	12,783,255	4,378,317	449,614	17,611,186
Accounts Payable to Assoc. Co.	17,599,253	6,027,816	619,002	24,246,071
Customer Deposits	3,086,744	2,075,899	0	5,162,643
Taxes Accrued	9,062,666	4,035,218	427,645	13,525,529
Interest Accrued	1,052,868	360,612	37,032	1,450,512
Tax Collections Payable	1,403,152	565,630	17,185	1,985,967
Misc. Current & Accrued Liabilities	4,719,189	3,413,837	161,241	8,294,267
Obligations Under Capital Leases - Current	1,128,674	383,179	0	1,511,853
Total Current & Accrued Liabilities	63,403,208	25,544,896	2,153,741	91,101,845
Customer Advances for Construction	0	2,104,850	0	2,104,850
Accum. Deferred Investment Tax Credits	734,991	1,340,623	4,294,910	6,370,524
Other Deferred Credits	12,739,680	12,080,941	0	24,820,621
Other Regulatory Liabilities	937,658	401,739	0	1,339,397
Accumulated Deferred Income Taxes	32,458,903	36,201,176	89,237,511	157,897,590
Total Deferred Credits	46,871,232	52,129,329	93,532,421	192,532,982
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	680,868,811	248,860,786	23,720,015	953,449,612

Duke Energy Kentucky

Quarterly Supplemental Financial Statements
Income Statement
For the 12 Months Ended March 31, 2007
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Revenues				
Residential Sales	97,835,894	87,857,931	0	185,693,825
Commercial Sales	114,463,370	36,661,065	0	151,124,434
Industrial Sales	42,097,453	6,119,700	0	48,217,153
Sales to Public Authorities	17,941,357	5,683,327	0	23,624,684
Public Street & Highway Lighting	1,479,652	0	0	1,479,652
Inter-Departmental Sales	78,609	52,885	0	131,494
Misc. Service Revenues	(1,489,603)	41,466	656,758	(791,379)
Revenues from Transportation	0	4,758,846	0	4,758,846
Rents from Property	1,479,411	34,176	1,134,511	2,648,099
Other Revenues	4,451,358	7,207	0	4,458,565
Total Revenues	278,337,500	141,216,603	1,791,269	421,345,373
Operating Expenses				
Operation Expense	191,047,440	111,677,925	61,341	302,786,705
Maintenance Expense	29,217,341	1,558,153	31,835	30,807,329
Depreciation Expense	26,627,634	6,548,978	2,384,771	35,561,383
Amortization and Depletion	1,609,160	635,764	0	2,244,924
Taxes Other than Income Taxes	7,749,188	3,180,203	38,515	10,967,906
Income Taxes - Federal & Other	2,809,051	1,227,988	155,314	4,192,353
Provision of Deferred Income Taxes - Net	6,012,677	4,240,168	1,660,796	11,913,641
Investment Tax Credit Adjustment	0	(735)	735	0
Total Operating Expenses	265,072,490	129,068,445	4,333,307	398,474,242
NET OPERATING INCOME	13,265,010	12,148,159	(2,542,037)	22,871,131
Other Income & Deductions				
Revenues from Merchandising, Jobbing and Contract Work	0	0	801,101	801,101
Less Expense of Merchandising, Jobbing and Contract Work	0	0	(434,131)	(434,131)
Revenues from Nonutility Operations	0	0	50,800	50,800
Interest & Dividend Income	0	0	3,284,204	3,284,204
AFUDC	469,867	99,628	0	569,495
Gain on Disposition of Property	0	0	(39,371)	(39,371)
Loss on Disposition of Property	0	0	0	0
Misc. Income Deductions	0	0	(3,637,643)	(3,637,643)
Taxes Other than Income Taxes	0	0	0	0
Income Taxes - Federal & Other	0	0	6,095,845	6,095,845
Provision for Deferred Income Taxes - Net	0	0	0	0
Total Other Income & Deductions	469,867	99,628	6,120,806	6,690,301
Interest Charges				
Interest on Long Term Debt	(10,043,502)	(3,439,940)	(353,251)	(13,836,693)
Amortization of Debt Disc. And Expense	(361,814)	(123,923)	(12,726)	(498,463)
Amortization of Loss on Recaptured Debt	0	0	0	0
Interest on Debt to Assoc Co	(1,767,246)	(605,289)	(62,158)	(2,434,693)
Other Interest Expense	(209,124)	(71,626)	(7,355)	(288,105)
Less Allowance for Borrowed Fund Used During Construction - Credit	270,573	156,742	343,135	770,449
Net Interest Charges	(12,111,113)	(4,084,036)	(92,355)	(16,287,504)
Extraordinary Items after Taxes	1,623,764	8,163,750	3,486,414	13,273,928
NET INCOME	1,623,764	8,163,750	3,486,414	13,273,928

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**Duke Energy of Kentucky
Capital Structure
March 31, 2007**

	Actual December 2006	Activity	Actual March 2007
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
M2310 Long-term debt	\$ 270,996,702	\$ 18,802	\$ 271,015,504
M2430 Obligations under Capital Lease-Noncurr	\$ 12,195,063	\$ (564,462)	\$ 11,630,601
Total Long-term debt	\$ 283,191,765	\$ (545,660)	\$ 282,646,105
Common Stock Equity			
201000 Common Stock	\$ 8,779,995	\$ -	\$ 8,779,995
207000 Prem On Capital Stock Common	\$ 18,838,946	\$ -	\$ 18,838,946
208000 Donat Recvd From Stkhld	\$ 140,061,362	\$ -	\$ 140,061,362
208010 Donat Recvd From Stkhld Tax	\$ 5,600,021	\$ -	\$ 5,600,021
211110 PIC - Sharesaver	\$ (156,194)	\$ -	\$ (156,194)
216000 Unappropriated RE Bal	\$ 176,600,155	\$ (50,981)	\$ 176,549,173
216990 Unapp Ret Emgs-Curr Yr Net In	\$ (2,189,823)	\$ 15,098,791	\$ 12,908,968
S2750 Accum other comprehensive income (loss)	\$ (78,973)	\$ (386,245)	\$ (465,218)
Total Common Stock Equity	\$ 347,455,489	\$ 14,661,564	\$ 362,117,053
TOTAL CAPITALIZATION	\$ 630,647,254	\$ 14,115,904	\$ 644,763,158